

Financial Performance for Third Quarter FY 2021-22

Mumbai, India: JSW Steel Limited (“JSW Steel” or the “Company”) today reported its results for the Third Quarter ended 31st Dec, 2021 (“Q3 FY2022” or the “Quarter”).

Key Highlights for Q3 FY2022:

Standalone Performance:

- Crude Steel production: 4.41 million tonnes
- Saleable Steel sales: 4.00 million tonnes
- Revenue from Operations: ₹28,850 crores
- Quarterly Operating EBITDA: ₹6,797 crores
- Quarterly Net Profit after Tax: ₹3,424 crores

Consolidated Performance:

- Crude Steel production: 5.21 million tonnes
- Saleable Steel sales: 4.63 million tonnes
- Revenue from Operations: ₹38,071 crores
- Quarterly Operating EBITDA: ₹9,132 crores
- Quarterly Net Profit after Tax: ₹4,516 crores
- Net Debt to Equity : 1.02x and Net Debt to EBITDA : 1.73x

The Indian economy had a steady recovery following the second wave of Covid-19 in Q1 FY2022, and India’s vaccination drive progressed steadily, with 1 billion shots administered by October 2021, and 1.5 billion shots by January 2022. Several high-frequency economic indicators were near or above pre-Covid levels by Q3 FY2022. The ongoing third wave of Covid-19 in India has so far been less severe than the prior waves. While contact-intensive services are temporarily impacted, industrial activity remains robust supported by government spending and healthy global demand, and the economy is expected to bounce back once cases begin to trail off.

Standalone Operational Performance Q3 FY2022:

The details of Standalone production and sales volumes for the quarter are as below:

Particulars	(million tonnes)				
	Q3 FY2022	Q2 FY2022	QoQ	Q3 FY2021	YoY
Production: Crude Steel	4.41	4.10	+8%	4.08	+8%
Sales of Saleable Steel:					
- Rolled: Flat	3.00	2.61	+15%	2.92	+3%
- Rolled: Long	0.88	0.95	-7%	0.91	-3%
- Semis	0.12	0.22	-47%	0.06	+90%
Total Sales	4.00	3.79	+6%	3.90	+3%

During the Quarter, JSW Steel reported Crude Steel Production of 4.41 million tonnes, an increase of 8% QoQ, led by an increase in average capacity utilization to 94% from the existing operations, and production of 0.18 million tonnes from the recently commissioned Dolvi Phase-2 expansion.

Sales of Saleable Steel for the quarter was 4.00 million tonnes, higher by 6% QoQ, led by a 29% increase in domestic sales, driven by demand from Automotive, Solar and Appliance sectors. Exports were moderated to 15% of sales during the Quarter vs. 30% of sales in Q2 FY2022.

Revenue from Operations was at ₹28,850 crores, an increase of 3% QoQ, led by an increase in volumes and net sales realization in the domestic market.

The Company achieved quarterly Operating EBITDA at ₹6,797 crores, lower by 22% QoQ, with an EBITDA margin of 23.6%. The EBITDA margin was lower QoQ primarily due to elevated prices of coking coal and higher power cost. Domestic Iron ore prices during the Quarter softened in line with global indices, partly offsetting the cost increase.

The Indian Bureau of Mines (IBM) has carried out upward revision of already published average selling price of iron ore for the month of September and October 2021. Based on a legal opinion obtained, the Company believes that the methodology used by IBM for arriving at such revised average selling price by excluding certain bona fide sale transactions of iron ore by the Company is not in accordance with the provisions of the Mineral Conservation and Development Rules, 2017. Accordingly, the Company has contested the same before the Honourable High Court of Odisha and the matter is sub judice. However, the Company, as a matter of prudence, has recognised the provision towards Mining Premium and Royalties payable based on such revised average selling prices published by IBM, and the impact on profit and loss for the quarter ended 31 December 2021 is ₹1,056 crores.

The Company reported quarterly Profit after Tax of ₹3,424 crores, lower by 36% QoQ mainly due to lower EBITDA margin, higher interest and depreciation on completion and capitalization of projects and onetime gain of ₹702 crores accounted in Q2 FY2022 on fair valuation of Optionally Fully Convertible Debentures held at Piombino Steel Ltd., and higher tax rate.

Performance of Subsidiaries:

JSW Steel Coated Products (Consolidated):

During the quarter, JSW Steel Coated Products, including its subsidiaries, registered production volume (GI/GL + Tin) of 0.73 million tonnes and a sales volume of 0.77 million tonnes. Revenue from Operations and Operating EBITDA for the quarter stood at ₹7781 crores and ₹570 crores, respectively. It reported a Profit after Tax of ₹346 crores for the quarter.

Bhushan Power & Steel Ltd (BPSL):

BPSL became a subsidiary with effect from 1st October 2021, as JSW Steel increased its stake in BPSL to 83.28% from 49% earlier on conversion of OFCD's. During the quarter, BPSL registered Crude Steel Production of 0.64 million tonnes and Sales volume of 0.58 million tonnes. Exports accounted for 36% of the sales mix. Revenue from Operations and Operating EBITDA for the quarter stood at ₹5,083 crores and ₹1,547 crores, respectively. It reported a Profit after Tax of ₹1,018 crores for the quarter.

JSW Steel USA Ohio Inc.:

During Q3 FY2022, the EAF-based operations at Ohio produced 180,112 net tonnes of Crude Steel, reporting an increase in average capacity utilization to 50%. Sales volumes for the quarter stood at 74,721 net tonnes of Slabs and 92,557 net tonnes of HRC. It reported an EBITDA of US\$ 42.12 million for the quarter compared to Q2 FY2022 EBITDA of US\$ 48.28 million.

US Plate & Pipe Mill:

The Plate & Pipe Mill based in Texas, USA produced 76,621 net tonnes of Plates and 1,261 net tonnes of Pipes. Sales volumes for the quarter stood at 66,573 net tonnes of Plates and 1,251 net tonnes of Pipes. It reported an EBITDA of US\$ 13.38 million for the quarter compared to Q2 FY2022 EBITDA of US\$ 13.16 million.

Italy Operations:

The Italy-based Rolled long products manufacturing facility produced 120,070 tonnes and sold 113,957 tonnes during the quarter. It reported an EBITDA loss of Euro 6.8 million for the quarter compared to an EBITDA of Euro 6.1 million in Q2 FY2022 due to certain onetime write-offs/impairment charge.

Consolidated Financial Performance Q3 FY2022:

During the Quarter, JSW Steel reported consolidated Crude Steel Production of 5.21 million tonnes (excluding the JSW Ispat Special Products Ltd. joint venture) showing a growth of 22% QoQ. Saleable Steel sales for the quarter stood at 4.63 million tonnes (excluding JSW Ispat Special Products Ltd. joint venture) registering an increase of 16% QoQ.

The Company registered strong VASP (Value-added & Special Products) volume, with share of VASP at 62% (vs. 60% in Q2 FY2022 and 57% in Q3 FY2021 of JSW Steel Indian operations excluding BPSL and JV), driven by increased domestic sales to automotive, solar and appliance segments.

The Company registered quarterly Revenue from Operations of ₹38,071 crores and Operating EBITDA of ₹9,132 crores, with an EBITDA margin of 24%. The Profit after Tax (including subsidiaries, joint ventures and associates) was ₹4,516 crores for the quarter.

The Company's consolidated Net Debt to Equity (post consolidation of BPSL) stood at 1.02x at the end of the quarter (as against 0.92x at the end of Q2 FY2022) and Leverage (Net Debt to EBITDA) stood at 1.73x (as against 1.58x at the end of Q2 FY2022). This is after incurring capex of ₹4,026 crores during the Quarter and consolidation of BPSL.

Production and Sales Summary: (million tonnes)

Particulars	Q3 FY2022		9M FY2022	
	Crude Steel Production	Sales	Crude Steel Production	Sales
JSW Steel Standalone	4.41	4.00	12.61	11.40
Bhushan Power & Steel Ltd.#	0.64	0.58	2.02	1.82
JSW Steel USA Ohio	0.16	0.15	0.45	0.40
Joint Control Entities:				
JSW Ispat Special Products Ltd.	0.14	0.13	0.41	0.41
JSW Steel Indian Operations including Joint Control Entities	5.19	4.72 *	15.04	13.63 *
Total Combined Volumes	5.35	4.87 *	15.50	14.03 *

* Without eliminating inter-company volumes

BPSL is a Subsidiary from 1st October 2021.

Update on Projects:

The 5 MTPA brownfield expansion at Vijayanagar is progressing well, with civil works underway at the site. Long lead-time items have been ordered, and Letters of Credit established. The project is expected to be completed by FY2024.

The Downstream expansion projects at Vijayanagar, Vasind and Tarapur are in advanced stages of implementation, with several lines having been commissioned in 9M FY2022.

The Company's capex spent was ₹ 4,026 crores during Q3 FY2022 and ₹ 10,353 crores for 9M FY2022, against a total planned capex spend of ₹18,240 crores for FY2022. During Q3 FY2022, BPSL incurred a capex of ₹180 crores.

Outlook

The global economy saw a steady recovery in 2021, aided by strong monetary and fiscal stimulus, steady vaccinations as well as booster doses in several advanced economies, and better ability of healthcare systems to deal with follow-on Covid waves and variants. In its January 2022 economic outlook, the World Bank estimates that global growth was 5.5% in 2021, compared to 2.6% in 2019 and -3.4% in 2020.

However, the World Bank reduced its CY 2022 global GDP growth forecast marginally (-20 bps) to 4.1%, due to the ongoing Omicron outbreak, diminishing fiscal support from governments and lingering supply bottlenecks. The near-term outlook for global inflation is higher than previously envisioned, owing to higher food and energy prices, and more pernicious supply disruptions. Though pent-up demand will gradually reduce and supportive macroeconomic policies will be unwound, the World Bank has increased its 2023 forecast for global growth by 10bps to 3.2%.

In the US, economic growth is likely to moderate in 2022 on slowing private consumption and manufacturing, rising energy prices, Omicron related headwinds and fading boost to income from pandemic related fiscal support. Inflation has surprised on the upside and a tight labour market has applied upward pressure on wages. The US housing market continue to be robust. The recently approved US\$1 trillion infrastructure plan should aid growth going forward. Aggressive policy tightening to curb inflation is a risk to growth.

In Europe, industrial production was impacted by supply bottlenecks and higher energy prices which could be continued risks. Recent Omicron outbreaks can affect recovery in services. In Japan, economic activity picked up pace as pandemic restrictions were relaxed with pent up demand and fresh fiscal stimulus to drive growth in 2022. In China, a slowing property sector and severe pandemic restrictions are having an impact on consumer spending and investments. That said, manufacturing activity and exports remain robust despite supply bottlenecks. The recent rate cuts in China in December 2021 and January 2022 are signaling easing of liquidity, with further policy support likely post the Winter Olympics and Chinese New Year holidays in February.

Inflation levels have increased globally, further accentuated by supply bottlenecks, high energy prices and tightness in labour markets which pose a risk of faster policy tightening across regions.

In India, economic activity recovered in Q3 FY22 on increased government spending, recovery in private consumption and falling Covid-19 cases. Many high frequency economic indicators were above or near pre-Covid levels. The ongoing Omicron outbreak will affect growth and Q4 FY22, especially services. However, manufacturing activity continues to be robust, and a strong bounce back is expected once the wave subsides. The current wave is much less severe than the previous waves from a health perspective.

Various government initiatives such as National Infrastructure Pipeline, Gati Shakti Program, and PLI schemes across sectors are supporting investment and manufacturing growth in India. Healthy tax collections allow room for continued expenditure by the government in the upcoming budget.

Construction, infrastructure and renewable energy segment should witness healthy pickup while residential real estate continues its recovery, aided by lower interest rates. The real estate market has been subdued for several years, and a turn in the cycle bodes well for increased construction activity.

Strong global demand for goods resulted in merchandise exports of \$301.4 billion from India for the April-December 2021 period, compared to \$200.1 billion in April-December 2020. Sales of passenger and commercial vehicles have been strong recently, and the construction and infrastructure sectors have seen steady investments with the government's focus on infrastructure. During Q3 FY2022 India's finished steel consumption was up 9.1% QoQ.

The balance sheets of banks and corporates are healthy, with lower leverage levels compared to pre-pandemic levels, and the RBI's stance is accommodative; these factors support investment and growth. High inflation and the emergence of new Covid variants could be some risk factors for the economic recovery.

About JSW Steel:

JSW Steel is the flagship business of the diversified US\$ 13 billion JSW Group. As one of India's leading business houses, JSW Group also has other business interests in sectors such as energy, infrastructure, cement, paints, sports and venture capital. JSW Steel, certified as Great Places To Work in 2021, has emerged as an organization with strong cultural foundation and great potential to be among the Top 100 companies. Over the last three decades, it has grown from a single manufacturing unit to become India's leading integrated steel company with capacity of 28 MTPA in India & USA (including capacities under joint control). Its roadmap for the next phase of growth includes a target of achieving 37.5 MTPA steel capacity by FY25. The Company's manufacturing unit in Vijayanagar, Karnataka is the largest single location steel-producing facility in India with a capacity of 12 MTPA. JSW Steel has always been at the forefront of research and innovation. It has a strategic collaboration with global leader JFE Steel of Japan, enabling JSW to access new and state-of-the-art technologies to produce & offer high-value special steel products to its customers. These products are extensively used across industries and applications including construction, infrastructure, automobile, electrical applications, appliances etc. JSW Steel is widely recognized for its excellence in business and sustainability practises. Some of these recognitions include World Steel Association's Steel Sustainability Champion (consecutively 2019 to 2021), Leadership Rating (A-) in CDP (2020), Deming Prize for TQM for its facilities at Vijayanagar (2018) and Salem (2019). It is part of the Dow



Jones Sustainability Index (DJSI) for Emerging Markets (2021) and S&P Global's Sustainability Yearbook (consecutively for 2020 and 2021). JSW Steel is the only Indian company to be ranked among the top 15 global steel producers by World Steel Dynamics for 13 consecutive years since 2008. As a responsible corporate citizen, JSW Steel's carbon reduction goals are aligned to India's Climate Change commitments under the Paris Accord.

Forward looking and Cautionary Statements:

Certain statements in this release concerning our future growth prospects are forward looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition within Steel Industry including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our internal operations, reduced demand for steel, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which – has made strategic investments, withdrawal of fiscal governmental incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. The Company does not undertake to update any forward looking statements that may be made from time to time by or on behalf of the Company.

For Further Information, Please Contact:

JSW Group Corporate Communications

Frederick Castro

Mobile: +91 99206 65176

Email: frederick.castro@jsw.in

Mithun Roy

Mobile: +91 98190 00967

Email: mithun.roy@jsw.in

